

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF VALLEY)	CASE NO. 6902-Y
GAS, INC.)	

O R D E R

On February 12, 1978, the Commission issued its Order in Case No. 6902 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased or a refund is received.

On September 17, 1986, Valley Gas, Inc., ("Valley") notified the Commission that its wholesale cost of gas had been decreased by its supplier, Texas Gas Transmission Corporation ("Texas Gas"), effective August 1, 1986, and submitted with its notice certain information in compliance with its purchased gas adjustment clause on file with this Commission.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

(1) Valley's notice of September 17, 1986, set out certain revisions in rates which Valley proposed to place into effect, said rates being designed to pass on a wholesale decrease in price from its supplier; Valley miscalculated the amount of its

decrease, however. The calculations on which the rates approved by the Commission in this Order are based are included in Appendix A. The amount of decrease should be \$1,476 or 2.71 cents per Mcf.

(2) Texas Gas filed an application for decreased rates with the Federal Energy Regulatory Commission ("FERC") to become effective August 1, 1986.

(3) Valley should report to this Commission the amount of excess revenues it collects from August 1, 1986, to the date the proposed rates are implemented, along with a refund plan.

(4) Valley's corrected adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 6902 dated February 12, 1978, is fair, just and reasonable and in the public interest and should be effective with gas supplied on and after August 1, 1986.

(5) In future filings, Valley should include a copy of a recent bill from Texas Gas so that its change in gas cost per Mcf can be determined. The information currently filed by Valley is insufficient to compute a Btu conversion factor.

IT IS THEREFORE ORDERED that:

(1) The rates proposed by Valley be and they hereby are denied. The rates in Appendix B to this Order be and they hereby are authorized effective with gas supplied on and after August 1, 1986.

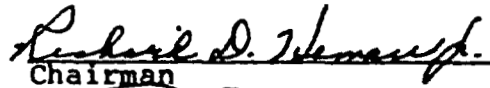
(2) Within 30 days of the date of this Order Valley shall file with this Commission its revised tariffs setting out the rates authorized herein.

(3) In future filings for rate changes, Valley shall supply a recent supplier bill so that its calculated change in rates can be verified or calculated by the Commission.

(4) Within 30 days of the date of this Order Valley shall file the amount of excess revenues collected along with a refund plan.

Done at Frankfort, Kentucky, this 7th day of October, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A
DATED 10/07/86

February 1, 1986, cost of gas from Texas Gas according to tariff sheet and invoice supplied by Valley in Case No. 6902-W:

\$3.1370 Per MMBTU

Invoice price per Mcf: \$3.2142 per Mcf

BTU conversion factor: $\frac{3.2142}{3.1370} = 1.02461$

Revised August 1, 1986, Texas Gas commodity cost according to tariff sheet:

\$3.1452 per MMBTU

Price per Mcf using BTU conversion Factor:

$\$3.1452 \times 1.02461 = \$3.2226/\text{Mcf}$

Original Texas Gas commodity cost for August 1, 1986:

$\$3.1716 \times 1.02461 = \$3.2497/\text{Mcf}$

Decrease in rates = $\$3.2497 - 3.2226 = \$.0271$
 $\$.0271 \times 54,452 = \$1,476$

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 6902-Y DATED 10/07/86

The following rates and charges are prescribed for the customers served by Valley Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES:

All Mcf consumed over 1	\$3.7888	per Mcf
Minimum charge (0-1 Mcf)	\$3.79	per Meter per Month

The base rate for the future application of the purchased gas adjustment clause of Valley Gas, Inc., shall be:

	<u>Commodity</u>
Texas Gas Transmission Corp.	3.2226¢ per Mcf